

Transitional Giving for Building Strong Fundraising Pyramids

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Executive Summary

One of the best ways to realize the promise of your organization's fundraising pyramid is to strengthen its middle levels by promoting the growth of transitional and mid-level giving.

Just as the Egyptian pyramids have stood the test of time by standing strong from 3200 B.C. until the present day, you want your organization's fundraising pyramid to endure. A study of the pyramidal structure reveals that, in addition to the strong foundation, the middle of a pyramid is powerful itself; if the middle and top levels were removed and placed in the desert sands, they would be able to stand on their own. Would your fundraising pyramid achieve the same result? Most likely, the answer is "no."

Fortunately, the fundraising pyramid is not one of the Seven Wonders of the World, so I wouldn't risk international outcry if I suggested that we revisit its construction. And unless the pharaohs needed fundraising pyramids and campaigns to complete these massive undertakings, the historical precedent is lacking as well.

So, let's take a look at the concepts of transitional and mid-level giving, your fundraising pyramid, and strategies that could strengthen its core.

Transitional and mid-level giving defined

The concepts of transitional and mid-level giving are not interchangeable, although they are very similar, and both are desirable goals for donor growth. Both types of giving frequently encompass consistent or loyal giving.

Transition is defined in the Merriam Webster Online Dictionary as "a movement, development, or evolution from one form, stage, or style to another." Transitional giving, then, is the progression of a donor from entry-level giving through mid-level giving to ultimate giving. It is the outcome that we desire when a prospect first becomes a donor, but it is an outcome that does not happen as often as we would like. Later, we will discuss how we can improve the chances of donors becoming ultimate givers.

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Not surprisingly, mid-level giving is not defined in the dictionary; however, the word “textcasn,” which is “sarcasm used in text messaging,” has recently been added to Merriam Webster’s Open Dictionary. If this were a paper on social networks and fundraising, that aside may be more relevant, but alas, it is not.

Since we lack an official resource or document that defines the phrase “mid-level giving,” I will provide a definition that I have come to know as a widely accepted one in the nonprofit world. Mid-level giving is the level of contributions that bridge the gap between annual and major giving. It may — or may not — lead to ultimate giving. In some instances, mid-level giving may reach a plateau, and donors will not transition to a higher level. In other instances, these donors will reach their ultimate giving level through a planned gift.

Both mid-level and transitional donors populate an area of the fundraising pyramid that is critical to your fundraising success. Finding more major giving prospects is best accomplished through internal data mining of existing donors rather than through acquisition.

Peer-to-peer donors, often the result of board members soliciting friends, are important but limiting. We rely on this fundraising method, in my opinion, because it is a short-term respite to a perpetual problem: the need for more major gift prospects. There is no reason, however, to abandon a course with far greater potential, as it is possible to pursue both options.

To better understand the need for transitional and mid-level gifts, let’s take a look at your fundraising “pyramid.”

What shape is your fundraising pyramid?

It is a curious question, because the question itself suggests the answer. The truth is that the fundraising pyramid represents a concept as much as a shape, and it is highly likely that your pyramid does not resemble the traditional model. If you have any doubt, use a gift chart to build your own pyramid that represents your organizational reality.

Figure I shows an organizational pyramid that differs significantly from the traditional model and is likely to be closer to your reality. The wide base narrows very quickly to resemble a radio tower, if not a flagpole, and it only takes a quick observation to note that there are not enough prospects at the mid-level range to support growth at the top of the pyramid.

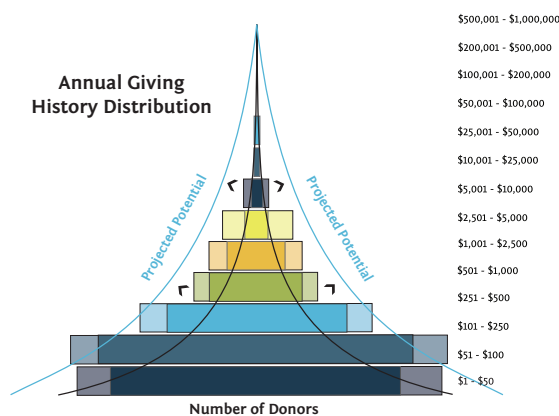


Figure I

“Transitional giving, then, is the progression of a donor from entry-level giving through mid-level giving to ultimate giving. It is the outcome that we desire when a prospect first becomes a donor, but it is an outcome that does not happen as often as we would like.”

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If you accept the industry standard that you need at least three or four prospects for every capital campaign prospect, you can envision a scenario created by the donor distribution shown in Figure 1 in which your organization relies on the same top prospects for a long time. This is a primary reason that donor fatigue is a bigger issue than ever before. Ongoing capital campaigns compound the problem. To counter this issue, we need to change the “top-down” perspective for major prospect identification and adopt a strategy that concentrates on building our best donors through progressive movement up a wider donor pyramid.

To accomplish this goal, we must return to fundraising fundamentals that you may have set aside during your pressurized pursuit of current funds.

Who are you?

For young readers and those not enamored with the CSI television series franchise, “Who Are You” is a song performed by the English rock band The Who. We can use its basic question as a guide as we consider who our prospects are and how we can identify those who are capable of mid-level and transitional gifts.

In general, transitional and mid-level donors exhibit a loyal pattern of giving — 60% of the time or more — and show upward trends in their giving over a period of time, such as five years or more. So, you may start identifying prospects by comparing their current giving levels compared to three or five years ago. “Wait a minute,” you say. “I already do that!” True, it is basic Fundraising 101 as applied to identifying prospects with upgrade potential, and hopefully you practice it already. If not, it is an easy fix. You may start by looking for loyal donors with recent gifts that exceed their first gift in a designated time period, such as five years.

But we want to go beyond the obvious and uncover the more subtle characteristics that identify mid-level and transitional prospects. For that, let us turn to data mining. Depending on your interests, available resources, and the time constraints you operate under, you may or may not be able to fulfill all of the following steps.

Step 1: First, you’ll need to define what range of giving constitutes “mid-level” for your organization. Armed with the data from the pyramid construction project demonstrated earlier, you have the donor distribution of your file. Now apply your knowledge of your current solicitation practices to identify the gift level/ask amount that triggers a high-touch contact, such as personalized annual fund or assignment of prospects to development officers. Let the data and your experience drive the range and not the benchmarking of your mid-level range against peer institutions. It is far more important to establish a reasonable range and then expand the number of donors giving within that range, as this will increase the likelihood that more donors will transition to higher levels in the future.

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Step 2: Once you have identified individuals in the established mid-level range, you'll need to take a look at commonly held characteristics using single variable (also known as univariate) analysis. For example, you may want to determine how many years your mid-level donors contributed before donating at the mid-level range. If you have access to age data, you may want to first determine the average age at which mid-level giving commences and compare it to the average age that those same donors make their first gifts.

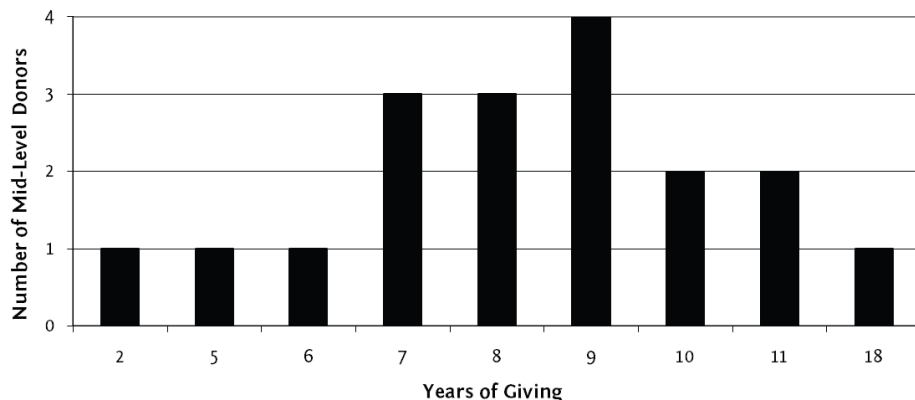


Figure II

Figure II compares years of annual giving to number of mid-level donors. From here you can easily calculate the average amount of time — 8.5 years — between first gift and mid-range gift. Now that you know the average gestation period, you may create a strategy that once donors reach five years of giving, you will treat them as mid-level prospects and implement high-touch cultivation and stewardship activities to increase the chances he or she will raise contributions to mid-level. You may further segment this pool to place a higher priority on individuals with an ascending trajectory in giving.

Similarly, with the earlier example that compared the average age at first gift to the average age at first mid-level gift, you can use that data to determine at what time in a donor's life he or she will begin to transition to a mid-level prospect. As mentioned above, use higher touch cultivation strategies to increase the "engagement" of these prospects and realize a higher mid-level conversion rate.

The previous examples focus on univariate analysis of internal data. Outside of your database, there is a rich selection of external attributes that you may add to your file to enhance your data mining activities. Let's start with "cluster" data.

Cluster data has been available for a long time, but the original services were limited by available data sources, and they aggregated households into larger geo-demographic groupings, such as ZIP codes or block groups. In recent years, however, the cluster services that are provided through Equifax's Niches, Acxiom's PersoniX®, and Nielsen's PRIZM® offerings have been compiled at the household level, and the resulting data is far more descriptive.



About the Author

Lawrence Henze, managing director of Target Analytics, has extensive experience in fundraising, market research, and the application of predictive modeling services to the nonprofit marketplace.

The founder of Core Data Services, which Blackbaud acquired in 2001, he has also served as vice president of predictive modeling services at USA Group Noel Levitz and president of The Philanthropic Division of Econometrics, Inc.

Mr. Henze has 15 years of experience in development, raising more than \$125 million, primarily for higher education institutions. During his career, he has personally reviewed the giving histories of more than 30,000 planned givers across the country. He holds a BA in political science from Carroll College in Wisconsin, and an MA in public policy and administration and a law degree from the University of Wisconsin at Madison.

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Cluster codes essentially group households by commonly held behavioral and marketing statistics that denote information such as likely buying behavior, household composition, and hobbies and recreational interests. Since we use Niche data at Blackbaud, I will use this service as an illustration. Equifax creates 26 Niches ranging from the young and wealthy “Already Affluent” Niche to the least prosperous “Zero Mobility” Niche. These clusters provide a picture of your prospects and donors and make it easier to craft the kind of targeted communications that make people feel as if you are talking to them individually.

To use the Niche clusters, you append the data to your file and begin to segment your database by the distribution of your mid-level donors through the 26 available scores, ranging from A-Z. For discussion purposes, let’s randomly choose four clusters — A, B, D, and I — and say that we observe that 75% of your mid-level donors fall into these four categories. A logical next step is to determine whom among your constituents not already making mid-level contributions also fits into one of these Niches and is not yet giving or is giving at levels below mid-range. The latter group constitutes an upgrade population, and the former non-donor segment cries out for a different cultivation and solicitation strategy. We know from years of data analysis and client experience that many prospects never give because they are asked to engage at a lower level of giving. Furthermore, now that you have the appended clusters available to you, you can determine the clusters that correlate strongly with non-donors and use this information to reallocate your annual and mid-level giving resources to the segments most likely to bear fruit.

Finally, an added benefit of cluster data is that it may provide insights into messaging and potential channels of communication.

Step 3: As seen above, univariate analysis provides insights into the characteristics of your mid-level and transitional donors, albeit one attribute at a time. If you want to predict which of your prospects is most likely to make a transitional gift, for example, statistical modeling is the answer. Predictive or custom modeling allows you to drill down in your database to discover the best prospects, and the scoring mechanism enables you to adjust the number of prospects according to your resources and capacity. I have written on the subject of predictive modeling in my white paper *Using Statistical Modeling to Increase Donations*, which is available at www.blackbaud.com/whitepapers.

I strongly encourage you to consider using a specific statistical model that identifies transitional giving prospects. The model I recommend is based on donors who have transitioned through mid-level giving and have reached the major giving threshold. The prospects identified through this model will give you immediate potential in the mid-level and long-term possibilities for major giving. Figure III illustrates the potential expansion of prospects in the mid to upper levels of your pyramid.

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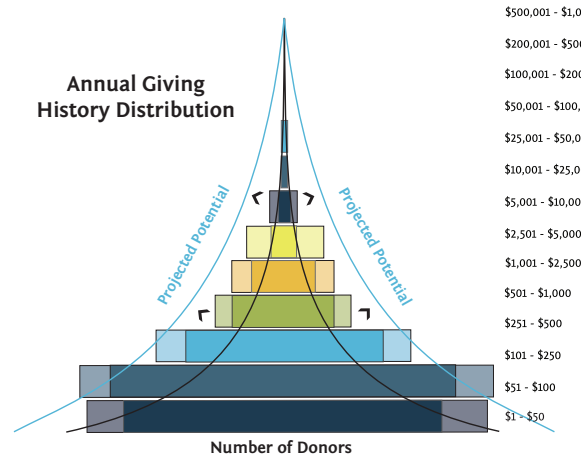


Figure III

The matrix in Figure IV illustrates an example of a score distribution for two models: TGL (transitional giving likelihood) and TGR (target gift range). In the upper right corner, the prospects with the highest likelihood and target gift ranges are identified. For the organization used in this example, with a mid-level range of \$1,001 to \$5,000, the staff members now know who these prospects are and have a ready list of individuals who have the capacity to transition to major giving now.

	TGR				
TGL	\$1-\$250 (1,2,3)	\$251-\$500 (4)	\$501-\$1,000 (5)	\$1,001-\$5,000 (6,7)	>\$5,000 (>=8)
>= 851+ (Excellent)	512	757	950	930	362
651-800 (Very Good)	2,060	412	192	106	51
551-650 (Good)	6,828	1,233	567	352	159
451-550 (Average)	9,583	1,331	580	381	164
<= 450 (Below Avg.)	19,714	1,546	722	380	128

Figure IV

Walking the walk — Cultivating, soliciting, and stewarding mid-level and transitional giving prospects

Once you commit to enhancing your mid-level program, you should also commit to reviewing your current policies for cultivation, solicitation, and stewardship. There is a good chance that your cultivation tactics may be too impersonal, your solicitations too frequent, and your stewardship overly targeted at the top of the pyramid to make it happen. Let's begin by reviewing strategies that could work more effectively.

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1. A review of the giving pyramid for your organization gives you an idea of the level of support you can attain through maintaining the status quo. Data mining reveals additional potential and suggests that the status quo is not the route to pursue to cultivate and close those prospects. So change is needed, and ideally, it is change that can occur with minimal budgetary impact. If you accept this logic you will be poised for improvement.
2. Since you want to change the status quo, you need to understand what it really is, and the first area you want to understand is the frequency of contact with our constituents, the balance of the content of these contacts, and the channels you use for communication. You'll need to complete a communications audit, and it can easily be a do-it-yourself project.

You should start with a goal of completing a comprehensive spreadsheet of your communications with your constituents, but you should start with the area that you work in: fundraising or advancement. First, you should determine how many times annually you solicit, inform, invite, and thank. If other units within your institution also contact constituents, you should add those contacts to the spreadsheet. You should plot these communications on a monthly calendar or spreadsheet.

You should not be surprised if you discover that you communicate far more regularly than you imagined. Now you should look for communications that overlap in purpose and in timing and consolidate and eliminate. In doing so, you will be freeing budget resources for higher touch cultivation and reducing the intrusion in the lives of your donors and prospects, and that is exactly your intent!

3. Next, you should reach out to mid-level, transitional, and perhaps ultimate gift prospects identified through data mining to get an understanding of their interests and preferences. In surveying your prospects, you should ask them to identify how they would like to hear from your organization and what their primary interests are within the context of your mission. Of course, you will not receive responses from many of the individuals, but the data gleaned from those who responded is invaluable. When you act upon it, you are likely to see an increase in engagement and support from the respondents. Then you can compile a report of the survey findings to share with your constituents; it will demonstrate your interest in their participation.
4. Since you have committed to reviewing the status quo and changing it to fit your new goals, you should review your solicitation policies for mid-level prospects. You will want to cultivate more often than solicit, so if you see that these prospects are asked multiple times annually for support, you should consider implementing a strategy of fewer, higher touch communications designed to promote engagement. You should recruit development and institutional staff, volunteers, and board members and involve them in the thanking process. And you should hold small thank-you events hosted by other donors to thank as well as disseminate information on the current and future plans for your organization and its mission.

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5. While you are looking at solicitation policies, you should compile a list of fundraising priorities that may be shared with your prospects. As you move up the donor pyramid, you will encounter more prospects that will want to restrict their increased gifts, and it is best to be prepared.
6. Finally, your internal commitment should be to maximize the number of personal contacts you have with identified prospects. Each of your organization's staff members should seek time in their daily or weekly schedules that they can commit to cultivation and solicitation. You should review each and every one of your recurring activities and determine if it is vital to growing our fundraising pyramid. If not, why are you doing it?

In conclusion, the Egyptians and other pyramid-building cultures took the logical approach to building pyramids by starting from the base and building upwards. Fundraisers, when facing campaigns and tight deadlines, have often built fundraising pyramids from the top-down and find that, after the campaign ends, there are precious few new prospects for the next campaign. Our research indicates that there are lessons to be learned from the ancient Egyptian civilization. If we build our funding support from the bottom up and emphasize a strong core, we will have development operations that can stand the test of time.

About Blackbaud

Blackbaud is the leading global provider of software and services designed specifically for nonprofit organizations, enabling them to improve operational efficiency, build strong relationships, and raise more money to support their missions. Approximately 24,000 organizations — including The American Red Cross, Cancer Research UK, Earthjustice, International Fund for Animal Welfare, Lincoln Center, The Salvation Army, The Taft School, Tulsa Community Foundation, Ursinus College, the WGBH Educational Foundation, and Yale University — use one or more Blackbaud products and services for fundraising, constituent relationship management, financial management, website management, direct marketing, education administration, ticketing, business intelligence, prospect research, consulting, and analytics. Since 1981, Blackbaud's sole focus and expertise has been partnering with nonprofits and providing them the solutions they need to make a difference in their local communities and worldwide. Headquartered in the United States, Blackbaud also has operations in Australia, Canada, Hong Kong, the Netherlands, and the United Kingdom. For more information, visit www.blackbaud.com.

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